

Top Secret

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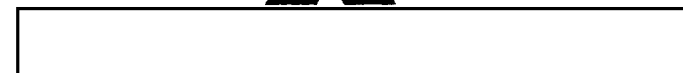
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NATIONAL INTELLIGENCE DAILY CABLE

Saturday 19 November 1977 CG NIDC 77/269C



NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Saturday, 19 November 1977

[REDACTED]
[REDACTED] The NID Cable is for the purpose of informing senior US officials.

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MIDDLE EAST: Reactions to Sadat Visit

25X1 [] //Saudi Arabia's critical reaction to Egyptian President Sadat's trip to Israel means that Sadat is going without the backing of any of the key Arab states and increases the pressure on him to obtain some concession from Prime Minister Begin that will facilitate convening a Geneva conference.//

[] the Saudis suspect that Sadat may have already reached a separate agreement with Israel. We believe that the Saudis will wait to see the results of Sadat's visit before acting, but they are clearly unhappy about and suspicious of Sadat's actions.//

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25X1 [] //Yasir Arafat and other Palestinian leaders apparently are somewhat perplexed about how best to react to Sadat's trip to Israel. A statement issued by Fatah on Thursday "rejected" the visit as a "gain for the Zionist schemes," but it was careful not to close future political options completely and contained no personal attacks on Sadat. Despite these apparent precautions, after the announcement was broadcast by the Voice of Palestine in Cairo yesterday, Egyptian officials closed down that facility.//

25X1 [] //Arafat probably shares Syria's concern that the Egyptian President's talks in Jerusalem may lead to a separate Egyptian-Israeli settlement that ignores their interests. The Syrians may well have pressed Arafat to line up publicly with them against Sadat's move.//

25X1 [] //The Iraqis are also attempting to influence Arafat's position. []

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25X1 [] //Meanwhile, extremist Palestinians and other militant Arabs are likely to continue to express their opposition to the visit through attacks against Egyptian diplomatic and business facilities, such as those that occurred in Beirut and Athens yesterday.//

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[] The USSR has directly criticized Sadat for the first time, but at a relatively low level, in yesterday's edition of a party newspaper, *Socialist Industry*. For the most part, however, Soviet commentary has been relatively routine and concentrated in Arabic-language radio broadcasts. These broadcasts have stressed that the Sadat trip will encourage a resumption of step-by-step diplomacy and thereby delay resumption of the Geneva conference.

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[] Arab opinion has been portrayed in the broadcasts as "absolutely" opposed to the visit. A Soviet diplomat, in a conversation on Thursday with a US official in Beirut, repeated all of these points and warned that Egyptian-Israeli talks could lead to separate negotiations. []

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ARGENTINA-BRAZIL-US: Nuclear

25X1 [redacted] //Officials in both Argentina and Brazil reportedly intend to hold to a hard line against overtures they expect on the nuclear issue during Secretary Vance's visit early next week.//

25X1 [redacted] //Argentine President Videla continues to be advised by the armed forces and by officials in the nuclear program that it is not in Argentina's interest to ratify the Treaty of Tlatelolco, which prohibits the development of nuclear weapons in Latin America.//

25X1 [redacted] Argentine officials have regarded the treaty as infringing on their national sovereignty and preventing the transfer of nuclear technology.//

25X1 [] A recent news article leaked from the Atomic Energy
25X1 Commission [] asserted that "if Vance
25X1 wants Tlatelolco, he'll have to hand over heavy water tech-
nology and maybe something more." []

PORTUGAL: Rival Demonstrations

25X1 [] //Rival weekend demonstrations of Portugal's
right and left threaten to add street violence to an already
tense political situation. The Communists staged a march in
Oporto yesterday and will hold another in Lisbon today to
counter a major rally of northern conservatives, also to be
held in Oporto today. Both sides hope to show their strength
in the political struggle now focusing on Prime Minister Soares'
proposal for a broad political agreement. President Eanes,
whose prestige may be slipping, has assured the country that
the demonstrations will not get out of hand.//

25X1 [] //Violence is possible in Oporto, where conser-
vative supporters of the recently transferred Brigadier General
Pires Veloso, a noted anti-Communist, will hold a rally only
24 hours after the Communist demonstration. In Lisbon, where
incidents are also likely, Communists are hoping for 400,000
marchers to protest deteriorating economic conditions.//

25X1 [] //Despite the risks, Eanes has not attempted
to block the demonstrations. In a surprise statement this week,
however, he did warn against attempts to mobilize the masses
as a means of seizing power or silencing opposition viewpoints.
The remarks were intended to impress conservative military of-
ficers who have begun to suspect Eanes' anti-Communist creden-
tials and commitment to law and order.//

25X1 [] //The President's running feud with Francisco
Sa Carneiro, the ambitious leader of the Social Democratic
Party, and his recent reassignment of Pires Veloso from a north-
ern command to a training school in Lisbon, have led to the
President's difficulties with conservatives, both military and
civilian.//

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[REDACTED] //The political deadlock, which has paralyzed Soares' minority Socialist government for several months, underlies the current unrest. With presidential backing, Soares is now attempting to reach an agreement with other parties in Parliament that is necessary before Portugal can find a way out of its deepening economic problems.//

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[REDACTED] //A proposal presented by Soares to parliament on Thursday offers little chance of an agreement. Although it offers terms for cooperation in broad areas of social, political, and economic policy, the proposal rules out any coalition and rejects bilateral cooperation with the Communists.//

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[REDACTED] //If an agreement is not reached by 30 November, Soares will request a vote of confidence, which, even if successful, would provide no lasting solution. Soares' resignation would probably soon follow unless Eanes could use his influence to bring the democratic opposition to heel, thereby forestalling a new election.//

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[REDACTED] //In spite of rumbling on the right and left, Eanes retains the ability to keep events on their constitutional course. Although leftist and conservative forces are each increasingly concerned about the other side's resurgence, neither side is yet willing to risk toppling democratic institutions in an all-out confrontation.//

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CHAD: Fighting Insurgents

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[REDACTED] *The fighting in northern and eastern Chad between government forces and insurgent groups supported by Libya has been generally quiescent for several months but may increase following recent government air strikes. The French have increased somewhat their support to the government.*

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[REDACTED] The government reportedly conducted air strikes last week in eastern Chad near Abeche against trucks carrying Libyan arms to the insurgents. Last month the insurgents staged a brief mortar attack on Abeche, the first rebel action since June.

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[REDACTED]

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[REDACTED] //Air strikes have also been conducted against rebel Toubou tribesmen in the north, which could provoke them to attack the government's last remaining garrisons in the region, especially the important position at Faya-Largeau. [REDACTED]

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[REDACTED]

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[REDACTED] Libya, which continues to show no interest in negotiating with Chad, might increase its arms deliveries to rebel factions as a result of the air strikes. Libya now allows the Toubou rebel group led by Guaddemmi Goukouny to use its broadcasting facilities for anti-Chadian propaganda.

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[REDACTED] France, Chad's principal military benefactor, recently sent a small team to help plan a new defense for Faya-Largeau. The French agreed during General Malloum's visit to Paris late last month to provide four transport aircraft; Chad now has 12. Paris also hopes to assist the Chadian Army in forming a new mobile unit, probably of battalion size.

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[REDACTED] Chad is now eligible to purchase US military equipment under the foreign military sales program but still nurses hopes for grant aid. The Chadian foreign minister is visiting South

Korea, Iran, and Jordan in search of US military equipment that could be transferred to Chad.

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INTERNATIONAL: UNCTAD Threats

//The developing countries are exploiting differences between the US and the other industrialized countries over how to respond to their demands in the common fund negotiations in Geneva. Sometime before a scheduled meeting of the EC Council next Tuesday, they may threaten to torpedo the negotiations in an effort to isolate the US.//

//The common fund talks are well into their second week, and no real progress has been made toward the two principal goals of the developing countries. They want a common fund that is financed by government contributions rather than from the resources of individual commodity agreements, and they want a fund that is designed not only to stabilize the prices of certain key commodities, but also to undertake such "other measures" as export diversification, market promotion, and research and development to help solve commodity-related problems in developing countries. In short, the developing countries want a common fund empowered to provide development assistance.//

//The developing countries have shown some willingness to compromise on the issue of how the common fund is to be financed because they are themselves divided on that matter. There has been no hint of flexibility on the issue of "other measures." The US delegation reports that developing country representatives maintain that this is the single most important issue under negotiation in Geneva.//

//The importance of the "other measures" to the developing country caucus is that it is the one element of the common fund plan that could benefit those developing countries that do not stand to gain from the price stabilization features of the plan. Some of the more cynical, relatively well-off developing states may be supporting the "other measures" concept in the hope it will prevent agreement on a common fund they do not want to see implemented but cannot directly oppose for reasons of Third World solidarity.//

//The US delegation in Geneva reports that the EC members seem to be willing to accept a development role for the common fund, so long as contributions for this purpose are

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voluntary. The EC countries seem to have rejected the US argument that agreement in principle to a development role for the common fund would allow the developing countries eventually to demand that contributions be made mandatory.//

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[]//The EC position on "other measures" will be discussed on Tuesday at the EC Council of Ministers meeting. The Dutch delegation is likely to threaten to split from the EC position unless the Community accepts the developing country position.//

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[]//The US delegation in Geneva believes that before the EC Council meeting the developing countries will put pressure on the EC members to accept the "other measures" provision by threatening to cause the common fund negotiations to break down. Other information confirms that the developing countries are in fact considering the use of direct bilateral approaches to certain EC members.//

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[]//The developing countries have had some success in the past in exploiting the absence of a unified position among the industrialized countries. During the 18 months of the Conference on International Economic Cooperation and at UN meetings in 1974 and 1975 they repeatedly tried to get their way by threatening to stage confrontations with the industrialized states.//

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WEST GERMANY: Key Nuclear Issues

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[] *The potentially most divisive issues at the convention of West Germany's Social Democrats--which ends today--have been surmounted. Resolutions were passed that are acceptable to the government on nuclear power policy and enhanced radiation weapons.*

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[] Chancellor Schmidt, whose main speech to the convention included an expression of "great respect" for the goals of President Carter's energy program, had made known his unwillingness to be bound by stipulations against nuclear power development such as a moratorium on plant construction. Schmidt's stand had been reinforced early this month by a trade union demonstration in Dortmund; union rank-and-file pressure had forced withdrawal of an earlier, more restrictive statement on nuclear energy by the union leadership. A threatened loss of jobs resulting from delay in the construction of nuclear power plants was decisive in this shift of position.

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[] The compromise on nuclear energy policy accepted at the convention assumes a West German need for nuclear power but seeks to limit its expansion. Coal is given priority as an energy source, and nuclear power plants beyond those already begun are to be constructed only to fill a proven energy gap. Furthermore, the issuance of operating permits for completed nuclear plants is to be made dependent on assured safety and waste-disposal arrangements. Government decisions on a West German waste disposal program, for which Bundestag approval will then be required, are still awaited.

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[] The "neutron bomb" issue was met by a resolution expressing sharp concern but not rejecting the weapon entirely. It calls on the government to create political and strategic conditions so that it will not be necessary to station the weapon in West Germany. Top party spokesmen, notably Defense Minister Leber, stressed that the enhanced radiation weapon must be included in international disarmament talks. Their hope clearly is that it can be used as a bargaining chip in the Vienna force-reduction negotiations.

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[] The Social Democratic resolution on nuclear energy policy is consistent with decisions in this field by the party's coalition partner, the Free Democratic Party, at its convention last week. Together, they assure the government authority to continue its nuclear power program for the time being.

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[] Opposition attacks will assert a greater need for nuclear power and focus on the Social Democratic preference--not shared by the Free Democrats--for coal as an alternate energy source, noting that it is more expensive and presents greater environmental problems. It remains to be seen whether today's popular pressures will contain the expansion of nuclear power production in the future, as the Social Democratic resolution intends.

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INTERNATIONAL: Grain Market

25X1 [] //Soviet President Brezhnev's announcement on 2 November that the Soviet grain harvest would be 194 million tons stimulated a short spurt in world grain prices. After this initial reaction, prices of wheat and, to a lesser extent, corn have resumed the slow but steady climb begun about mid-August.//

25X1 [] //This low-key market reaction stems from several factors:

- The long-held opinion of large traders that the Soviet crop would be smaller than US Department of Agriculture and CIA estimates of 215 million tons.
- Persistent rumors of already consummated large sales to the USSR.
- The existence of relatively large world supplies of exportable grain.//

25X1 [] //Some traders last September were estimating Soviet imports of at least 20 million tons--more than half from the US--compared with the US Department of Agriculture estimate of 13 million tons. The Soviets probably had signed contracts for most of this grain by early October. These factors contributed to a stronger market as traders hedged their sales to the Soviets over the past six to eight weeks. We believe that Soviet grain imports for the period October 1977 - September 1978 will be about 25 million tons.//

25X1 [] //Wheat prices have strengthened more than those for corn because of a tighter supply outlook for high-protein wheats, the prospect of a smaller increase in carryover stocks next summer, and increased estimates of US corn production. At the time of Brezhnev's announcement, wheat and corn prices were up 19 percent and 22 percent, respectively, from their August lows. Since his statement, they have increased an additional 9 percent and 5 percent, respectively.//

25X1 [] //During the July-to-December period in 1973--following massive Soviet purchases in 1972 and the further tightening of the world grain situation in 1973--wheat prices more than doubled. []

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ROMANIA: Ambitious Economic Plans

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President Ceausescu proclaimed even more ambitious economic goals for 1980 than the unrealistic ones now on the books. He made it clear that it will be largely the workers and other consumers who suffer from any shortfalls. At the same time, he said his regime is committed to an improved standard of living.

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Ceausescu's decision to raise plan targets sets the stage for the party conference in early December, which will concentrate on economic issues. Ceausescu is apparently determined to emphasize forced-draft industrial growth, despite indications that workers and consumers are less willing to tolerate further neglect of their interests, and despite Romania's increasing economic difficulties.

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Ceausescu may thus face political problems within the leadership if worker unrest increases or if the economy falls short of the new goals. In the past, some have advocated lowering the growth rate for industry and paying more attention to consumer interests.

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Ceausescu's supplementary program added 2.6 million tons to the already ambitious grain production plan for 1976-80. The new grain program implies annual grain harvests averaging 10 percent higher than the 19.8-million-ton record claimed last year. The proposed increase in agricultural investment, however, is not sufficient to support the plan. Considerable reliance is placed on land reclamation and irrigation projects that cannot be completed for several years. Grain output this year, as Ceausescu indicated in his plenum speech, will be about 5 percent under the record.

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The industrial production growth plan for 1976-80 has been raised from a range of 10.1 to 11.2 percent a year to an annual rate of 11.5 percent. The credibility of even the original targets is weakened by mounting energy, labor, and building materials shortages, reduced investment plans, and hard-currency constraints. Industrial production reportedly has been kept on target so far in 1977 only by using methods that jeopardize future growth. The Galati steel plant, for example, is postponing capital repairs in shops that must be kept in operation to fulfill this year's production plan.

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[] Key sectors such as coal, steel, and chemicals are behind schedule because of damage from the earthquake in March and because of a slowdown in the growth of the industrial labor force. Fewer rural workers are going to the cities, in part because of the lack of urban housing.

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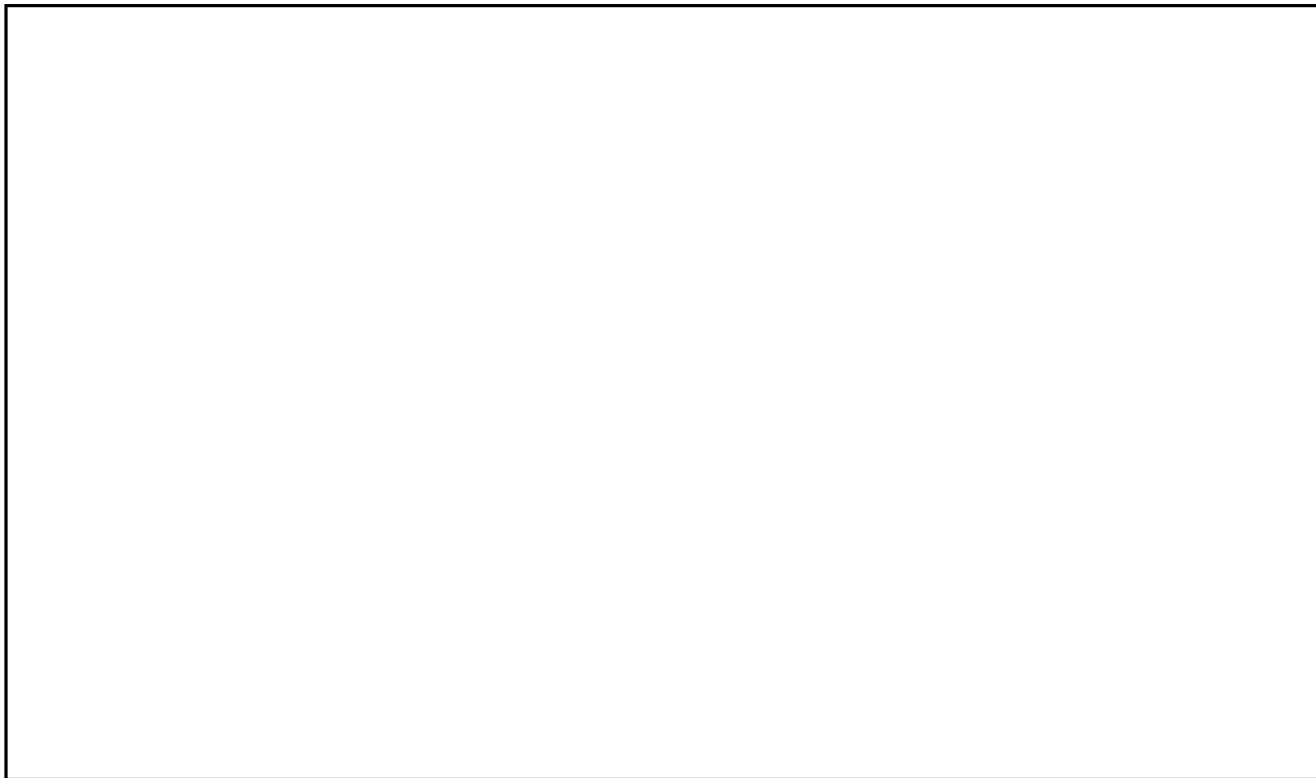
[] Workers who are already disgruntled will probably find it difficult to accept the new, harsher measures. Coal output plans, for example, are already threatened because coal miners stopped work in August and September to protest pension cuts and poor living conditions.

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[] The government is basing the fulfillment of its new goals on a 10.4-percent average annual increase in industrial labor productivity during 1978-80. Labor productivity grew by only 6.4 percent per year during 1971-75. []

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BRIEFS

Australia

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[REDACTED]//With the national election just three weeks away, Australian Prime Minister Fraser's Liberal-Country coalition suffered a setback yesterday when Federal Treasurer Philip Lynch resigned because of alleged improper land dealings. Lynch had come under increasing attack from the Labor opposition, eager to seize any opportunity to improve its rating in public opinion polls.//

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[REDACTED]//The polls, which have been fairly accurate in the past, currently show Fraser's coalition running slightly behind Labor. The same polls show his opponent, former Prime Minister Gough Whitlam, with one of the lowest public approval ratings in the poll's history. By jettisoning Lynch before the political campaign formally opens Monday, the Fraser government obviously hopes to take the wind out of Labor's sails.//

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[redacted]//Fraser's election prospects will depend on his ability to turn both his incumbency and festering labor disputes to his political advantage. His standing with the electorate--despite the Lynch affair and the country's stumbling economy--will probably improve during the campaign as he refreshes voters' memories of Whitlam's ineffective performance while in office.

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